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Budget Update

Fellow Faculty and Staff:

The Kentucky General Assembly passed the 2014-16 biennial budget last night and then adjourned until April 14 when they will come back together to take final action on remaining legislation and consider votes on any veto actions taken by the Governor. The legislative session officially ends April 15.

The General Assembly restored one percent of the proposed cut to universities, so instead of a 2.5 percent cut as was proposed by the Governor, the General Assembly includes a 1.5 percent cut to universities. This amounts to approximately \$750,000 less of a budget cut for us, which means our final state cut is \$1,086,400. On the positive side, the General Assembly fully funded our science building capital project (Thompson Complex) at the requested amount of \$48 million. That will be a state-funded bond, which will be issued in the second year of the biennium. We will complete the design process as soon as possible and hope to be under way with that project in 2015. This is an important step for higher education as this is the first time that capital projects have been funded on university campuses since 2006. We did not request a university-funded agency bond project in this legislative session. The budget also includes 50 percent funding of the increase in our KERS mandated employer contribution, which means we will receive \$1,330,500 to offset half of our cost increase. This was an important step for us as previously universities have had to cover 100 percent of cost increases in the state retirement system. Finally, we will receive the recurring amount of \$2 million which we requested to expand the Gatton Academy from 120 to 200 students. In the final analysis, we made significant progress toward reducing the budget cut as proposed by the Governor, and we achieved the other priorities we were seeking in this legislative session.

We now know what our state cut will be; we know the hole we have to fill from last fall's enrollment decline; and we know what our fixed-cost increases will be. Therefore, I am authorizing Vice President Mead to proceed with budget preparations for next year. The two remaining variables that we must now define are a final tuition increase and what can be done for compensation and benefits. We will await word from the Council on Postsecondary Education (CPE) regarding tuition parameters, and we will stretch as far as we can on the compensation variables. These numbers should be final within the next couple of weeks. I will keep you informed just as soon as these decisions are made. Thank you for your patience as this process unfolds. We will do everything we can to minimize the budget impact for the campus and create as positive a budget scenario for next year as possible.

Thank you,
Gary A. Ransdell